

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
FRB-01 INR-10 NSAE-00 SP-02 STR-07 TRSE-00 LAB-04
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FM AMEMBASSY BONN
TO SECSTATE WASHDC 6484
USDA/FAS WASHDC
INFO AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE

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USEEC ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: EAGR, GW
SUBJECT: COMMENT ON EC FARM PRICE NEGOTIATIONS

IN AN ADDRESS TO A REGIONAL FARMERS' ASSOCIATION AT
AURICH ON MARCH 2, UNDER SECRETARY OF AGRICULTURE ROHR
REITERATED THAT A DECISION ON EC FARM PRICES WILL NOT
BE REACHED BEFORE THE END OF APRIL, I.E. AFTER THE
FRENCH ELECTIONS. HE ALSO STATED THAT PRICE
NEGOTIATIONS WOULD BE PARTICULARLY DIFFICULT BECAUSE
OF THE VERY LARGE PACKAGE THAT WILL BE PRESENTED IN
BRUSSELS. ROHR SAID THAT THE FRENCH AND ITALIANS WANT
TO HAVE THEIR MEDITERRANEAN PROBLEMS INCLUDED IN THE
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PACKAGE, I.E. TO OBTAIN BETTER GUARANTEES FOR FRUIT AND
VEGETABLES AND WINE. FURTHERMORE, THE PRICE
DECISIONS ARE CONNECTED WITH THE PROBLEM OF MONETARY
COMPENSATION AND SO-CALLED SUPPORTING MEASURES,
ESPECIALLY IN THE MILK AND BEEF SECTORS. THE UNDER
SECRETARY EXPRESSED THE VIEW THAT THE EC PRICE
PROPOSALS, WHICH PROVIDE FOR AN INCREASE OF TWO

PERCENT IN TERMS OF UNITS OF ACCOUNT, COULD BE IMPROVED. HE POINTED SPECIFICALLY TO THE CRITICAL INCOME SITUATION IN THE BENELUX COUNTRIES. HOWEVER, ROHR ADDED ONE MUST ALSO RECOGNIZE THAT BECAUSE OF THE MARKET SITUATION (SURPLUSES) ESPECIALLY IN MILK AND BEEF, THERE ARE LIMITS TO INCREASES IN THE COMMISSION PROPOSALS. HE SAID IT WAS NOT POSSIBLE TO HAVE RATES OF INCREASE AS HIGH AS THEY WERE THREE YEARS AGO. MONETARY COMPENSATION IS A FOREIGN ELEMENT IN THE SYSTEM OF EC AGRICULTURAL POLICY, ROHR CONTINUED. IT IS NEEDED, HOWEVER, AS LONG AS ECONOMIC CONDITIONS IN MEMBER STATES DIFFER AS MUCH AS THEY HAVE THE PAST SEVERAL YEARS, I.E. WITH INFLATION RATES IN EC COUNTRIES RANGING BETWEEN FOUR TO TWENTY PERCENT. THE DIFFERENT ECONOMIC CONDITIONS, ROHR SAID, ALSO PRECLUDE ANY FORM OF AUTOMATIC REMOVAL OF MONETARY COMPENSATION WHICH COULD NEVER EXACTLY CONSIDER THE ACTUAL PRICE/COST DEVELOPMENTS IN THE COUNTRIES CONCERNED. FURTHERMORE, THE PROBLEM OF MONETARY COMPENSATION IN RECENT YEARS HAS SHIFTED INCREASINGLY FROM COUNTRIES WHICH HAVE REVALUED THEIR CURRENCIES TO COUNTRIES WHICH HAVE DEVALUED. THE LATTER WERE ABLE TO RAISE PRICES BY DEVALUING THEIR "GREEN RATES". ROHR SAID THAT WITH VERY SMALL GENERAL PRICE INCREASES, EC AGRICULTURAL POLICY WOULD BECOME A "SELF-SERVICE STORE" FOR A DE-FACTO NATIONAL PRICE POLICY.

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CONSEQUENTLY, IT IS INEVITABLE THAT SUCH MEASURES (I.E. DEVALUING THE "GREEN RATES") BE CONSIDERED IN GENERAL EC ANNUAL PRICE DECISIONS JUST AS IT HAS ALWAYS BEEN THE CASE WITH RESPECT TO REVALUING THE "GREEN RATES." MEEHAN

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